

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>OGE MAW FIRE DEPARTMENT</b>	County <b>OGE MAW</b>
Audit Date <b>12/31/2004</b>	Opinion Date <b>11/09/2005</b>	Date Accountant Report Submitted to State: <b>12/12/2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>STEPHENSON, GRACIK &amp; CO., P.C.</b>			
Street Address <b>325 NEWMAN STREET, PO BOX 592</b>	City <b>EAST TAWAS</b>	State <b>MI</b>	ZIP <b>48730</b>
Accountant Signature  <b>Donald W. Brannan CPA</b>		Digitally signed by Stephenson, Grack and Co., P.C. DN: cn=Stephenson, Grack and Co., P.C., c=US Date: 2005.02.14 14:30:02 -05'00'	



*Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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OGEMAW FIRE DEPARTMENT  
OGEMAW COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2004

## I\_N\_D\_E\_X

### AUDITORS' REPORT

#### PAGE

INDEPENDENT AUDITORS' REPORT

1 - 2

### BASIC FINANCIAL STATEMENTS

#### **FUND FINANCIAL STATEMENTS**

EXHIBIT A	BALANCE SHEET – GOVERNMENTAL FUND	3
EXHIBIT B	STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND	4
EXHIBIT C	NOTES TO FINANCIAL STATEMENTS	5 - 11

### REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT D	STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - FIRE FUND - SPECIAL REVENUE FUND	12
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### OTHER INFORMATION

EXHIBIT E	DETAILS OF EXPENDITURES	13
	REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	14 - 15



# *Stephenson Gracik & Co., P.C.*

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Herman A Bertuleit, CPA

November 9, 2005

## Independent Auditors' Report

Members of the Fire Administration Board  
Ogemaw Fire Department  
Ogemaw County, Michigan

We have audited the accompanying financial statements of the major fund of Ogemaw Fire Department, Ogemaw County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise a portion of the Fire Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, management has not presented the management discussion and analysis and the government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of the management discussion and analysis and the government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Fire Department's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Ogemaw Fire Department, Ogemaw County, Michigan, as of December 31, 2004, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2005, on our consideration of the Ogemaw Fire Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

As described in Note 2, the Ogemaw Fire Department has partially implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2004.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Fire Administration Board  
Ogemaw Fire Department  
November 9, 2005  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ogemaw Fire Department's basic financial statements. The details of expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. The details of expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stephenson, Grault & Co., P.C.*

OGEMAW FIRE DEPARTMENT  
Ogemaw County, Michigan

BALANCE SHEET  
 GOVERNMENTAL FUND  
 December 31, 2004  
With Comparative Totals for December 31, 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash (Note 3)	\$ 109,720	\$ 48,216
Certificates of deposit (Note 3)	<u>107,138</u>	<u>104,745</u>
Total Assets	<u>\$ 216,858</u>	<u>\$ 152,961</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>Liabilities</u>		
Accrued liabilities	<u>\$ 4,373</u>	<u>\$ 0</u>
 <u>Fund Equity</u>		
Fund balance:		
Unreserved:		
Designated for equipment	191,236	137,665
Undesignated	<u>21,249</u>	<u>15,296</u>
Total fund equity	<u>212,485</u>	<u>152,961</u>
Total Liabilities and Fund Equity	<u>\$ 216,858</u>	<u>\$ 152,961</u>

The accompanying notes to financial statements are an integral part of this statement.

OGEMAW FIRE DEPARTMENT  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUND  
 For the Year Ended December 31, 2004  
With Comparative Totals for the Year Ended December 31, 2003

	<u>2004</u>	<u>2003</u>
<u>Revenue</u>		
Intergovernmental revenue (Note 4)	\$ 122,304	\$ 112,222
Federal revenue	35,869	130,081
Charges for services - fire runs	12,563	16,629
Interest earnings	<u>3,377</u>	<u>3,424</u>
Total revenue	<u>174,113</u>	<u>262,356</u>
<u>Expenditures</u>		
General government:		
Public safety	69,632	67,222
Capital outlay	<u>44,957</u>	<u>188,385</u>
Total expenditures	<u>114,589</u>	<u>255,607</u>
Excess of revenue over expenditures	59,524	6,749
Fund balance - beginning of year	<u>152,961</u>	<u>146,212</u>
Fund balance - end of year	<u>\$ 212,485</u>	<u>\$ 152,961</u>

The accompanying notes to financial statements are an integral part of this statement.

OGEMAW FIRE DEPARTMENT  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ogemaw Fire Department have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The following is a summary of significant accounting policies.

A. Description of Operations and Fund Types

The Ogemaw Fire Department is a joint area Fire Board serving six governmental units - City of West Branch, Churchill Township, Edwards Township, Horton Township, Ogemaw Township and West Branch Township.

The Board consists of an executive from each government or a designated representative with one vote each. The accounting records are maintained by the Secretary-Treasurer. The Secretary-Treasurer is appointed by the Chairman.

The Fire Department's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, except as noted in Note 2. All activities over which the Fire Department exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Fund Accounting

The Fire Department uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary. The Fire Department does not currently have any proprietary funds.

**Governmental Funds**

Governmental funds are those through which all governmental functions of the Fire Department are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Fire Department's governmental fund:

Special Revenue Fire Fund - This fund is used to account for all financial transactions of the Fire Department except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Fire Department. Revenues are derived primarily from intergovernmental revenues.

C. Basis of Presentation

The Fire Department's basic financial statements consist of fund financial statements which provide a detailed level of financial information.



OGEMAW FIRE DEPARTMENT  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund Financial Statements

During the year, the Fire Department segregates transactions related to certain Fire Department functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire Department at a detailed level. The focus of governmental fund financial statements is on the major fund.

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The governmental fund uses the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions:

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available, means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Fire Department, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the Fire Department receives value without directly giving equal value in return, include grants, entitlements and contributions. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Fire Department must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire Department on a reimbursement basis. On the modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: intergovernmental revenue, charges for services, fines and forfeitures, and interest.

**Expenses/ Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

OGEMAW FIRE DEPARTMENT  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at year end.

The Fire Board adopted the budgets for 2004 at their January meeting.

Budget amounts reported herein are as originally adopted, or as amended by the Fire Board.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Fire Board.

G. Fund Balances

Designated fund balance represents tentative plans for use of financial resources for future equipment purchases.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2004, the Fire Department has implemented, with exceptions as noted below, Governmental Accounting Standards Board (GASB) Statement Number 33 "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement Number 36 "Recipient Reporting for Certain Shared Non-Exchange Revenue," which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting; GASB Statement No. 34, "Basic Financial Statements -and Management's Discussion and Analysis -for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

OGEMAW FIRE DEPARTMENT  
Ogemaw County, MichiganNOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

GASB Statement No. 34 creates new basic financial statements for reporting on the Fire Department's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. The government-wide financial statements split the programs between governmental activities and business-type activities.

The Fire Department did not adopt GASB 34 and GASB 37 in its entirety, as permitted by the Local Audit and Finance Division of the Treasury Department of the State of Michigan (State of Michigan), because the Fire Department believes that the cost of implementing the statements may exceed the benefit of the additional information. However, because management has not recorded certain fixed assets in the governmental activities and because the amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable, an adverse opinion was issued on the financial statements taken as a whole.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

NOTE 3 - DEPOSITS AND INVESTMENTS

## Deposits:

Deposits of the Fire Department are held at First Bank, West Branch, Michigan, in the name of the Ogemaw Fire Department. At December 31, 2004 and 2003, the carrying amounts of the Fire Department's deposits were classified as to risk as follows:

	<u>Carrying Amount</u>		<u>Bank Balance</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Insured (FDIC)	\$ 138,167	\$ 100,588	\$ 140,032	\$ 101,537
Uninsured - uncollateralized	<u>78,691</u>	<u>52,373</u>	<u>40,489</u>	<u>52,373</u>
	<u>\$ 216,858</u>	<u>\$ 152,961</u>	<u>\$ 180,521</u>	<u>\$ 153,910</u>

## Investments:

The Fire Board has adopted an investment policy in accordance with Act 196, PA 1997, which authorizes the Fire Department to deposit and invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

OGEMAW FIRE DEPARTMENT  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments: (Continued)

- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2) of 1943 PA 20 as amended.
- (c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of the State of Michigan or any of its potential subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
  - i. The purchase of securities on a when-issued or delayed delivery basis.
  - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 19967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
- (j) The investment pools organized under the Local Government Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Fire Department's deposits and investments are in accordance with statutory authority.

OGEMAW FIRE DEPARTMENT  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 4 - INTERGOVERNMENTAL REVENUE

The 2004 and 2003 pro-rata share of the budget as provided in the by-laws is calculated based on the state equalized value (SEV) of the municipalities.

<u>Unit</u>	<u>SEV</u>		<u>Percentage</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
City of West Branch	\$ 64,569,100	\$ 62,165,950	16.4%	16.9%
Churchill Township	75,489,687	69,019,999	19.1	18.8
Edwards Township	54,635,501	53,457,874	13.8	14.5
Horton Township	37,600,221	34,094,953	9.5	9.3
Ogemaw Township	47,088,318	45,481,031	11.9	12.4
West Branch Township	<u>115,752,896</u>	<u>103,227,500</u>	<u>29.3</u>	<u>28.1</u>
Total	<u>\$ 395,135,723</u>	<u>\$ 367,447,307</u>	<u>100.0%</u>	<u>100.0%</u>

The budget for 2004 and 2003 is shared as follows:

<u>Unit</u>	<u>2004</u>	<u>2003</u>
City of West Branch	\$ 19,986	\$ 18,986
Churchill Township	23,366	21,079
Edwards Township	16,911	16,327
Horton Township	11,638	10,413
Ogemaw Township	14,575	13,890
West Branch Township	<u>35,828</u>	<u>31,527</u>
Total	<u>\$ 122,304</u>	<u>\$ 112,222</u>

Upon dissolution of the Ogemaw Fire Department, all funds, special funds, equipment, land, buildings and assets belonging to the Department shall remain with any two or more of the original municipalities that agreed to continue under the terms of the contract on the effective date of the dissolution of the Department.

NOTE 5 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Fire Department's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Fire Department for these budgetary funds were adopted to the activity level.

OGEMAW FIRE DEPARTMENT  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 5 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (CONTINUED)

During the year ended December 31, 2004, the Fire Department incurred expenditures which were in excess of the amounts appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Capital Outlay	\$ 10,500	\$ 44,957	\$ 34,457

NOTE 6 - RISK MANAGEMENT

The Ogemaw Fire Department is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks continue to be covered by insurance purchased from independent companies. Settled claims for these risks have not exceeded insurance coverage in any of the past three years.

NOTE 7 - COMPARATIVE DATA

Comparative totals for the prior year have been presented in Exhibits A through E, in order to provide an understanding of changes in the Fire Department's financial position and operations.

REQUIRED SUPPLEMENTARY INFORMATION

OGEMAW FIRE DEPARTMENT  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FIRE FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2004

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenue</u>				
Intergovernmental revenue	\$ 122,304	\$ 122,304	\$ 122,304	\$ 0
Federal revenue	0	0	35,869	35,869
Charges for services - fire runs	19,000	19,000	12,563	(6,437)
Interest earnings	2,000	2,000	3,377	1,377
Total revenue	<u>143,304</u>	<u>143,304</u>	<u>174,113</u>	<u>30,809</u>
<u>Expenditures</u>				
General government:				
Public safety	74,400	74,400	69,632	4,768
Capital outlay	<u>10,500</u>	<u>10,500</u>	<u>44,957</u>	<u>(34,457)</u>
Total expenditures	<u>84,900</u>	<u>84,900</u>	<u>114,589</u>	<u>(29,689)</u>
Excess of revenue over expenditures	58,404	58,404	59,524	1,120
Fund balance - beginning of year	<u>152,961</u>	<u>152,961</u>	<u>152,961</u>	<u>0</u>
Fund balance - end of year	<u>\$ 211,365</u>	<u>\$ 211,365</u>	<u>\$ 212,485</u>	<u>\$ 1,120</u>

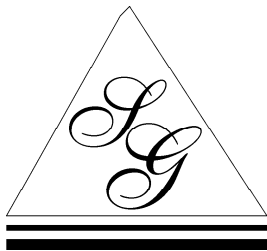


OTHER INFORMATION

OGEMAW FIRE DEPARTMENT  
Ogemaw County, Michigan

DETAILS OF EXPENDITURES  
 For the Year Ended December 31, 2004  
With Comparative Totals for the Year Ended December 31, 2003

	<u>2004</u>	<u>2003</u>
<u>Expenditures</u>		
Public safety:		
Officers wages	\$ 3,100	\$ 3,100
Training wages	11,820	10,960
Firemen's wages	8,941	12,341
Secretary wages	750	500
Part-time wages	5,462	2,568
Payroll taxes	2,187	2,254
Office supplies	855	211
Postage	148	37
Gasoline and oil	2,486	1,699
Professional services	1,795	1,735
Training and incentives	513	100
Travel	492	0
Insurance - general	16,853	16,924
Workmen's compensation insurance	1,735	1,644
Telephone	882	812
Heat and water	1,547	1,779
Lights	961	1,046
Maintenance - vehicles	3,549	5,204
Maintenance - equipment	3,143	2,292
Maintenance - hall	2,413	1,855
Miscellaneous	<u>0</u>	<u>161</u>
Total public safety expenditures	69,632	67,222
Capital outlay	<u>44,957</u>	<u>188,385</u>
Total expenditures	<u>\$ 114,589</u>	<u>\$ 255,607</u>



# *Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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Gerald D Gracik Jr., CPA  
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Kyle E Troyer, CPA  
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November 9, 2005

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Fire Administration Board  
Ogemaw Fire Department  
Ogemaw County, Michigan

We have audited the financial statements of the major fund of the Ogemaw Fire Department, as of and for the year ended December 31, 2004, which collectively comprise a portion of the Fire Department's basic financial statements and have issued our report thereon dated November 9, 2005. The report on the governmental activities was adverse because the Management Discussion and Analysis and Government-Wide Financial Statements were not included in the basic financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fire Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fire Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described below.

### Reporting of Wages

While reviewing the payroll records for the year, we noted that employee wages were under reported on the year-end wage reports by a net amount of \$1,491.14. We recommend all wages be reconciled to the checks issued before the year-end reports are completed.

### Payment of Payroll Taxes

While reviewing the payroll records for the year, we found that the payroll taxes for the year ended December 31, 2004 had not been paid through the audit date of November 9, 2005. We brought this to the attention of the Board Secretary/Treasurer, and payment was made immediately.

Members of the Fire Administration Board  
Ogemaw Fire Department  
November 9, 2005  
Page Two

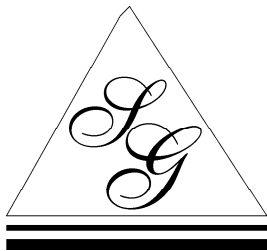
Audit Report Submission

The audit of the Ogemaw Fire Department was not completed until November 2005. The audited financial statements were required to be submitted to the Michigan Department of Treasury by June 30, 2005. We recommend the audit be scheduled earlier in the year to enable the report to be submitted by the June 30<sup>th</sup> deadline next year.

We also noted certain additional matters that we reported to management of the Ogemaw Fire Department in a separate letter dated November 9, 2005.

This report is intended solely for the information and use of management, the Fire Administration Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Grault & Co., P.C.*



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November 9, 2005

Members of the Fire Administration Board  
Ogemaw Fire Department  
Ogemaw County, Michigan

Dear Board Members:

We have audited the financial statements of the Ogemaw Fire Department for the year ended December 31, 2004, and have issued our report thereon dated November 9, 2005. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated September 16, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Ogemaw Fire Department. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Ogemaw Fire Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Ogemaw Fire Department are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Fire Department changed accounting policies as a result of adopting, with certain exceptions, Statement of Governmental Accounting Standards (GASB Statements) No. 33, 34, 36, 37 and 38, in the year ended December 31, 2004. We noted no transactions entered into by the Ogemaw Fire Department during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Ogemaw Fire Department's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Ogemaw Fire Department, either individually or in the aggregate, indicate matters that could have a significant effect on the Ogemaw Fire Department's financial reporting process.

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#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ogemaw Fire Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

#### Additional Information

As a result of our study and evaluation of the internal controls as described in the third paragraph and the results of our tests of compliance, as described in the fourth paragraph, certain matters came to our attention upon which we would like to comment and offer the following recommendations:

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#### Audit Report Submission

The audit of the Ogemaw Fire Department was not completed until November 2005. The audited financial statements are required to be submitted to the Michigan Department of Treasury by June 30, 2005. We recommend the audit be scheduled earlier in the year to enable the report to be submitted by the June 30<sup>th</sup> deadline next year.

#### Investment Policy

Investment policies for governmental units now require more information than previous policies. The Fire Department's investment policy will need to be updated for the year ended December 31, 2005.

#### Budgetary Control

We noted that the Fire Fund included expenditures in the capital outlay function that exceeded appropriated amounts. We recommend the Fire Board amend the budgets for the Fire Fund periodically as needed.

Members of the Fire Administration Board  
Ogemaw Fire Department  
November 9, 2005  
Page Three

Fixed Asset Listing

Governmental Accounting Standards Board Statement No. 34 requires a governmental entity to list the value of all equipment and vehicles in the financial statements. This standard was applicable for the year ended December 31, 2004, but was not adopted in its entirety by the Ogemaw Fire Department because a fixed asset listing was not available. If the Fire Department wishes to adopt this standard in its entirety, we recommend a capitalization policy be adopted, and a fixed asset listing be prepared based on the historical cost of the items. The items should be depreciated over their estimated useful lives. Please feel free to contact us if we may provide further consultation on this matter.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the Fire Department, especially Todd Thompson.

This information is intended solely for the use of management, the Fire Administration Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Grault & Co., P.C.*